


Small Business and Health Insurance – Difficult Choices

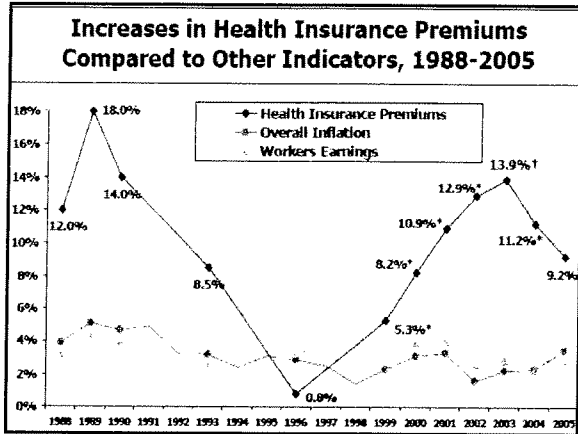
Michigan House of Representatives
Health Policy Committee
April 20, 2007

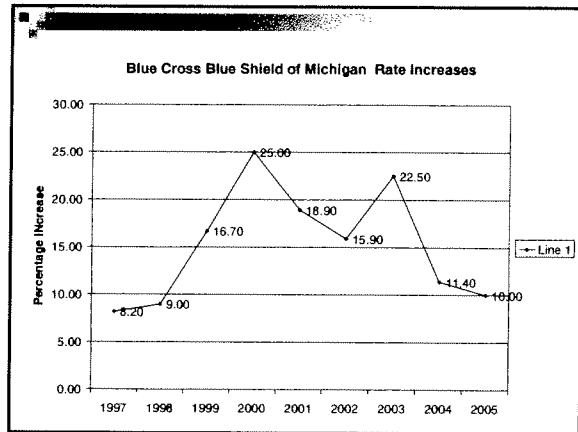
Health Insurance Costs are Killing Small Businesses

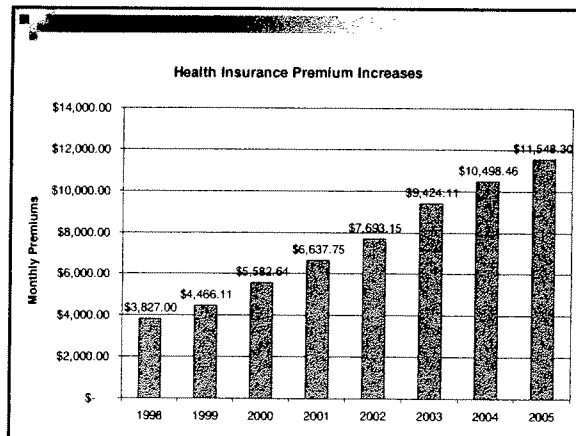


Cost (Cost, and Cost)

- 90% of SBAM members consider it at the top or near the top of list of *Serious Issues facing Michigan*
- 91% of small businesses that do not offer health insurance cite cost as the reason
- Fastest growing cost of doing business in Michigan







Tipping Point ?

- Historical reasons for offering Health Ins
 - Recruitment, retention, absenteeism
 - Competing with the big businesses for labor
 - Right thing to do
 - Owner wants/needs it

Michigan Employer Health Insurance Survey

- 1,261 Michigan employers completed the mail survey
 - 762 employers (60%) reported offering health insurance to at least some employees.
 - 499 employers (40%) did not offer health insurance to any employees

Characteristics of Employers Offering and Not Offering Health Insurance

- The likelihood an employer offered insurance increased with:
 - Length of time in business.
 - Higher gross revenues.
 - Increased numbers of employees.
 - Higher percentages of full-time rather than part-time workers.

Reasons Employers Offered and Didn't Offer Health Insurance to Employees

- The most important reason given by employers as to why they offered health insurance
 - ☐ the right thing to do
 - ☐ Helped with employee recruitment
 - ☐ Increased loyalty
 - ☐ Decreased turnover.
- The most common reason why employers did not offer health insurance was that the cost of insurance was too high.

Likelihood Employers will Make Insurance Changes Next Year

- About 10% of employers currently offering health insurance to employees think it is likely their company will not offer health insurance to employees next year.



- The majority of employers plan on shifting more of the costs of premiums to employees and/or switching to another health insurance carrier.

Likelihood of Employers Offering Health Insurance in the Future

- The most common factors that, if changed, might make employers more willing to provide health insurance plans to employees were:
 - If the cost of premiums weren't so high (88%), and
 - If the year-to-year changes in premiums were more predictable (83%).



Tipping Point ?

- Michigan Employer Health Insurance Survey (2006)
 - ☐ 59.4% No impact on employee recruitment
 - ☐ 61.0% No impact on employee retention
 - ☐ 66.6% No impact on employee health
 - ☐ 49.8% Can attract good employees without it
 - ☐ 10 % Considering no longer offering health insurance next year

Small Group Market

- Generally considered "Not Self-insured"
- 2-50 covered employees
- State Legislated and Regulated
- BCBSM vs. Other Carriers
- Rating Bands

Cost Drivers (with Policy Implications)

- Bad Health - Wellness Initiatives
- Mandated Benefits – Essential Benefits Plan
- Medical Errors - Health IT, Medical Liability issues, Practice Protocols, etc.
- Medical Inflation – Consumer Directed Health Plans, Health Savings Accounts
- Catastrophic Claims – Pooling, Reinsurance, Case Management
- Cost Shifting – Inadequate Reimbursement, Uninsured, Under-Insured

A Small Business Story

- 30 Employee Manufacturer in Traverse City
- Growing Company – Growing HC Costs
- Utilized cost Containment Strategies
- Competitiveness demanded other options
- Individual Market – A “Cheaper” Option
- The Deal
- The Results
